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UNCLAS SECTION 01 OF 02 ANKARA 001558

SIPDIS

SENSITIVE

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SUBJECT: Mersin's Transit Trade for U.S. Poultry to Iraq

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SUMMARY  
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1. (U) OVER THE PAST TWO YEARS, TURKEY, AND IN PARTICULAR THE PORT OF MERSIN, HAS BECOME A MAJOR TRANSIT POINT FOR COMMERCIAL SALES OF U.S. POULTRY MEAT TO IRAQ AND COUNTRIES IN THE REGION. TURKEY CREATED A FREE-TRADE ZONE IN MERSIN IN 1987, WHICH HAS EXCELLENT PORT FACILITIES AND AMPLE COLD STORAGE. TRADERS ARE HOPEFUL THAT TRADE WILL CONTINUE TO GROW. TRADERS FACE A NUMBER OF CHALLENGES IN SHIPPING TO THE REGION, WHICH THREATENS THE TRADE. END SUMMARY.

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TRADE STOPS IN AUGUST 2004  
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2. (U) IN AUGUST 2004, NORTHERN IRAQI OFFICIALS BEGAN REFUSING TO ACCEPT U.S. HEALTH CERTIFICATES FOR POULTRY MEAT OSTENSIBLY BECAUSE OF AN OUTBREAK OF AVIAN INFLUENZA IN SEVERAL U.S. STATES. ALTHOUGH THE OUTBREAK HAD ALREADY BEEN BROUGHT UNDER CONTROL WITH MOST COUNTRIES LIFTING THEIR TEMPORARY BAN, REGIONAL IRAQI OFFICIALS UNEXPECTEDLY BEGAN STOPPING U.S. SHIPMENTS. THE POULTRY MEAT WAS ALLOWED TO CROSS THE TURKISH-IRAQI BORDER, BUT STOPPED INLAND. EVENTUALLY, THE BAN WAS LIFTED AND TRADE RESUMED.

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GROWING TRADE  
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3. (U) FROM MARCH 8 - 11, AGCOUNSELOR MET WITH A NUMBER OF TURKISH COMPANIES IN ADANA AND MERSIN, WHICH ARE CURRENTLY INVOLVED IN COMMERCIAL AGRICULTURE AND FOOD TRADE WITH IRAQ. SEVERAL COMPANIES IN THE FREE TRADE ZONE INDICATED RECENTLY THAT THEY ARE SHIPPING OR LOOKING TO SHIP FROZEN POULTRY TO IRAQ, ESPECIALLY U.S. POULTRY. ONE EXPORTER IS CURRENTLY SHIPPING APPROXIMATELY 4-5000 TONS A MONTH TO PRIVATE BUYERS IN IRAQ. THE HEAD OF THE COMPANY INDICATED THAT THIS TOTAL COULD EASILY REACH 80,000 TONS IN 2005. IN ADDITION TO IRAQ, THE COMPANY IS SHIPPING 12 TMT OF POULTRY A MONTH TO AFGHANISTAN AND 6 TMT TO AZERBAIJAN. OTHER COMPANIES ARE SELLING LESS TO IRAQ, BUT BELIEVE MARKET DEMAND COULD INCREASE, ESPECIALLY IF THE SECURITY SITUATION STABILIZES. IN GENERAL, THE UNITED STATES, BRAZIL AND CHINA ARE SHIPPING POULTRY TO IRAQ.

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PROBLEMS ABOUND  
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4. (U) WHILE EXPORTS HAVE INCREASED SO HAVE THE DIFFICULTIES ASSOCIATED WITH IT. TRADERS FACE SECURITY CONCERNS, SHIPPING AND PAYMENT DELAYS, AS WELL AS PROBLEMS WITH DOCUMENTATION ON A DAILY BASIS.

5. (SBU) SECURITY CONCERNS ARE, OF COURSE, A PRIORITY. MANY TRADERS AVOID RISK BY TRANSFERRING PRODUCT TO KURDISH OR ARAB TRUCK BEFORE SENDING TO THE SOUTH. NONE OF THE EXPORTERS NOTED ANY RECENT PROBLEMS WITH SECURITY. HOWEVER, ONE REPORTED THAT THEY HAD A DRIVER KIDNAPPED ABOUT A YEAR AGO. THE INITIAL RANSOM REQUEST WAS FOR \$100,000. HOWEVER, WORKING THROUGH CONTACTS, THE RANSOM WAS REDUCED TO \$26,000.

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BORDER DELAYS  
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6. (SBU) FOLLOWING SECURITY, MOST EXPORTERS WERE CONCERNED ABOUT DELAYS AT THE IRAQ-TURKISH BORDER, WHERE, ACCORDING TO ONE EXPORTER, LINES CAN REACH UP TO 85 KM. SOME TRADERS ARE NOW TRANSFERRING PRODUCT ON THE TURKISH SIDE ONTO TRUCKS FROM CIZRE AND SILOPI. ACCORDING TO TRADER, TRUCKS FROM THOSE TURKISH CITIES ARE GIVEN PRIORITY TREATMENT AND WAIT LESS TIME AT THE BORDER.

17. (SBU) ONCE IN IRAQ, SHIPMENTS ARE TRANSFERRED TO EITHER ARAB OR KURDISH-OWNED TRUCKS FOR DELIVERY TO THE SOUTH. ONE MERCHANT WHO HAS COLD STORAGE FACILITIES IN MOSUL AND ZAKHO INDICATED THAT THE SITUATION SEEMED TO BE IMPROVING IN MOSUL. HE HAD STOPPED SHIPMENTS IN AUGUST TO THE SOUTH BUT WAS HOPING TO RESUME THEM SHORTLY. ACCORDING TO ONE EXPORTER, THE DELAYS AT THE TURKISH-IRAQI BORDER WERE FORCING TRADERS TO SEEK ALTERNATIVE ROUTES. TURKISH TRUCKS TRANSITING SYRIA, HOWEVER, ARE BEING CHARGED A \$500 A TRUCK SURCHARGE. SOME TRADERS INSTEAD ARE TRANSFERRING CARGO ONTO SYRIAN VESSELS, OFFLOADING IN LATTAKIA AND THEN SHIPPING ON SYRIAN TRUCKS TO IRAQ. SOME INDICATED THAT SHOULD THE DELAYS AT THE TURKISH-IRAQI BORDER NOT IMPROVE, THEY WOULD USE THE SYRIAN ROUTE. THIS OPTION HAS BEEN HAS BEEN DISPUTED BY OTHERS, HOWEVER.

18. (U) SEVERAL TRADERS REPORTED THAT IRAQI BORDER OFFICIALS HAVE ESTABLISHED DIRECT COMMUNICATIONS WITH THEIR TURKISH COUNTERPARTS. RECENTLY, WHEN THE BORDER CLOSED, IRAQI OFFICIALS REQUESTED THAT TURKISH OFFICIALS AT THE FREE TRADE ZONE STOP ISSUING CERTIFICATES ALLOWING SHIPMENTS OUT OF THE ZONE. ALTHOUGH SOME EXPORTERS COMPLAINED, THIS PROBABLY PREVENTED UNNECESSARY DELAYS AT THE BORDER.

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SUITCASE CHECKING  
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19. (SBU) THE ABSENCE OF A RELIABLE BANKING SYSTEM MEANS THAT MOST TRANSACTIONS ARE MADE IN CASH WITH IMPORTERS OFTEN DELIVERING PAYMENTS WITH SUITCASES FILLED WITH MONEY. ONE TRADER FELT THAT NOT ONLY IS THIS DANGEROUS BUT IT CONTRIBUTES TO THE GROWTH OF BLACK-MARKET TRADE. MOST TURKISH TRADERS COMPLAINED THAT IRAQI BUYERS USE ANY EXCUSE NOT TO MAKE PAYMENTS. OTHERS INDICATED THAT THEIR SUCCESS DEPENDED EXCLUSIVELY ON THE STRENGTH OF THEIR COUNTERPARTS IN IRAQ. ONE POULTRY EXPORTER, WHO HAS BEEN OPERATING IN IRAQ SINCE THE MID 1990S, WORKS EXCLUSIVELY WITH THREE WEALTHY COUNTERPARTS WHO, IN HIS WORDS, HAVE INFLUENCE IN THE REGION.

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HEALTH CERTIFICATES COULD BE A PROBLEM  
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110. (U) ACCORDING TO ONE TRADER, IRAQI OFFICIALS ACCEPT HEALTH CERTIFICATES ISSUED FOR AZERBAIJAN, TURKMENISTAN AND UZBEKISTAN, WHICH NORMALLY ACCOMPANY U.S. SHIPMENTS. THIS COULD BE PROBLEMATIC IN THE FUTURE UNLESS A NEW U.S.-IRAQI HEALTH CERTIFICATE IS NEGOTIATED.

111. BAGHDAD MINIMIZE CONSIDERED.

EDELMAN